

FISCAL NOTE

Bill #: SB523

Title: Revise certain taxes as part of tax reform

Primary

Sponsor: Alvin Ellis

Status: As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$(22,038)	\$(72,026)
Revenue:		
General Fund	\$(3,765,000)	\$(724,000)
State Special Revenue		
Net Impact on General Fund Balance:	\$(3,742,962)	\$(651,974)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Generally, this proposal is effective January 1, 2000.
2. SB523 is a part of the Department of Revenue comprehensive tax reform proposal, which includes SB516, SB517, SB518, SB519, SB520, and SB523.
3. This proposal repeals the *telephone company license tax*. This reduces revenue from this tax to the state general fund by \$3,172,000 in fiscal 2000, and by \$6,650,000 in fiscal 2001.
4. This proposal repeals the *new car sales tax*. This reduces revenue from this tax to the highways state special account by \$12,661,000 in fiscal 2001.
5. This proposal repeals the state *inheritance tax*. Because estates have 18 months to file their returns, this has no impact in the 2001 biennium, but is forecast to reduce revenue from this tax to the state general fund by \$11,000,000 in fiscal 2002.
6. This proposal revises the taxation of oil and natural gas under the oil and natural gas production taxes provided for in MCA, Title 15, Chapter 36. Among other things, the proposal updates the distinction

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between “old” and “new” oil and gas; revises the definition of “qualifying production” for oil and gas; and provides modifications to the production tax rates imposed on oil and gas.

7. The changes to the taxation of oil and natural gas results in a net decrease in production tax revenue of \$1,341,000 in fiscal 2000. Of this amount, revenues to the state general fund are reduced by \$593,000.
8. The changes to the taxation of oil and natural gas, combined with the reallocation of revenues from this tax source, results in a net decrease in production tax revenue of \$2,708,000 in fiscal 2001. Reallocation provisions of the comprehensive proposal result in a net increase in revenue of \$5,926,000 in fiscal 2000 to the state general fund.
9. Reductions to other accounts and governmental entities from changing the taxation an allocation of oil and gas production taxes are reimbursed through other provisions of the comprehensive tax reform proposal, of which this bill is one part. These reimbursement impacts to the state general fund are contained in the fiscal note for SB520.
10. While SB523 reduces the tax on light vehicles from 2% to 1% and eliminates registration fees, the substantial related fiscal impact is shown in the fiscal note for SB520 which is a part of the Department of Revenue tax comprehensive tax reform proposal and also makes these changes. These fiscal impacts are not shown on this note.

Administrative Impacts

11. Eliminating the state inheritance tax will reduce administrative costs. The Department of Revenue will reduce FTE by 0.5 FTE in fiscal 2000 and by an additional 2.0 FTE in fiscal 2001. Personal services costs are reduced \$21,664 in fiscal 2000 and by \$67,598 in fiscal 2001. Operating expense is reduced \$1,476 in fiscal 2000 and \$4,428 in fiscal 2001.
12. It will be necessary for the Department of Justice to contract for programming with an outside vendor since department programming staff are committed to completing the current backlog of more than 9,000 hours of programming necessary to comply with 1997 legislative changes, Y2K, and various other programs. One-time expenses for programming changes required by the passage of this bill are projected to cost \$900 for consultant services plus \$202 for increased computer processing charges generated during programming and system testing, or a total of \$1,102 during FY 2000. (12 hours x \$75.00/hour = \$900 + \$202 = \$1,102)

FISCAL IMPACT:

	<u>FY2000</u>	<u>FY2001</u>
	<u>Difference</u>	<u>Difference</u>
FTE	(.50)	(2.50)

Expenditures:

Personal Services – Dept of Revenue	(\$21,664)	(\$67,598)
Operating Expenses – Dept of Revenue	(1,476)	(4,428)
Operating Expenses – Dept of Justice	<u>1,102</u>	<u>0</u>
TOTAL	(\$22,038)	(\$72,026)

Funding:

General Fund (01)	(\$22,038)	(\$72,026)
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Revenues:

General Fund (01)	(\$3,765,000)	(\$724,000)
State Special Revenue (02)		<u>(12,661,000)</u>
TOTAL	(\$3,765,000)	(\$13,385,000)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$3,742,962)	(\$651,974)
State Special Revenue (02)		

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

County and other local governments are held harmless for revenue losses due to changes to Oil and Gas Production tax and motor vehicle taxes and fees in this bill under the reimbursement provisions of the comprehensive tax reform proposal contained in SB520.

LONG-RANGE IMPACTS:

Repealing the state inheritance tax is estimated to reduce state general fund revenue by \$11,000,000 in fiscal year 2002. Revenues in future years will be reduced by the amount the inheritance tax would have raised in each year.

TECHNICAL NOTES:

1. Sections reducing the tax on light vehicles, reducing registration fees, and eliminating the new car sales tax are duplicated in SB520 and this bill.